

# **GUIDELINE FOR SME DEFINITION**

**Issued by:  
SME Corp. Malaysia  
Secretariat to the  
National Entrepreneur and SME Development Council**

## I. Background

Since 2005, a common definition for SMEs endorsed by the National Entrepreneur and SME Development Council (NESDC)<sup>1</sup> [formerly known as the National SME Development Council (NSDC)] has been adopted across Ministries and agencies, financial institutions and regulators involved in SME development programmes. The definition is as follows:

- **Manufacturing (including agro-based) and Manufacturing-related Services:** Sales turnover of less than **RM25 million** OR full-time employees of less than **150**
- **Primary Agriculture and Services (including ICT):** Sales turnover of less than **RM5 million** OR full-time employees of less than **50**

## II. SME Definition

Given that there have been many developments in the economy since 2005 such as price inflation, structural changes and change in business trends, a review of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14<sup>th</sup> NSDC Meeting in July 2013.

A business will be classified as an **SME** if it **fulfils** all the **three (3) conditions** in regards to the **qualifying criteria**, **type of establishment** and **shareholding structure** as below:

### (A) Qualifying Criteria

**Meet either one of the two specified qualifying criteria**, namely sales turnover or full-time employees, **whichever is lower**.

**Table 1: Summary of the Qualifying Criteria**

- |   |
|---|
| <ul style="list-style-type: none"><li>• <b>Manufacturing:</b> Sales turnover not exceeding <b>RM50 million</b> OR full-time employees not exceeding <b>200 workers</b></li><li>• <b>Services and other sectors:</b> Sales turnover not exceeding <b>RM20 million</b> OR full-time employees not exceeding <b>75 workers</b></li></ul> |
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Details of the qualifying criteria are as follows:

### (i) Definition by Size of Operation

- **Microenterprises across all sectors:** Sales turnover of less than **RM300,000** OR less than **5** full-time employees.

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<sup>1</sup> NESDC which serves as the highest authority to chart the national policy on SME development is chaired by YAB Prime Minister with members from 16 Ministries and key agencies.

- **Table 2 summarises the definition for the small and medium categories** for the respective sectors.

**Table 2: Definition by Size of Operation**

Category	Small	Medium
Manufacturing	Sales turnover from <b>RM300,000 to less than RM15 million</b> <u>OR</u> full-time employees from <b>5 to less than 75</b>	Sales turnover from <b>RM15 million to not exceeding RM50 million</b> <u>OR</u> full-time employees from <b>75 to not exceeding 200</b>
Services & Other Sectors	Sales turnover from <b>RM300,000 to less than RM3 million</b> <u>OR</u> full-time employees from <b>5 to less than 30</b>	Sales turnover from <b>RM3 million to not exceeding RM20 million</b> <u>OR</u> full-time employees from <b>30 to not exceeding 75</b>

- **If a business fulfils either one criterion across the different sizes of operation**, then the **smaller size will be applicable**. For example if a firm's sales turnover falls under microenterprise but employment falls under small, the business will be deemed as a microenterprise.

**(ii) Terms of the qualifying criteria**

- Sales turnover refers to **total revenue** including other incomes.
- **Full-time employees** include all paid workers working for **at least 6 hours a day and 20 days a month**; or at least **120 hours a month**. Full-time workers also include foreign and contract workers. However, the definition excludes working proprietors, active business partners and unpaid family members or friends who are working in the business and do not receive regular wages.
- **'OR' basis** means that a business will need to satisfy **either one of the two criteria** used in the definition (whichever is lower).
- If a business **exceeds the threshold** set under both criteria for **2 consecutive years** (based on its financial year/ accounting period) then it **can no longer be deemed as SMEs**. Similarly, a business that is previously large can become an SME if it fulfils the qualifying criteria of SMEs for **2 consecutive years**.

**(B) Type of Establishment**

**Pure business entity that is:**

- i. Locally incorporated under the Companies Act 2016 (replaced Companies Act 1965) ; or
- ii. Registered under the Registration of Business Act (1956) or Limited Liability Partnerships (LLP) Act 2012; or
- iii. Registered under respective authorities or district offices in Sabah and Sarawak; or
- iv. Registered under respective statutory bodies for professional service providers.

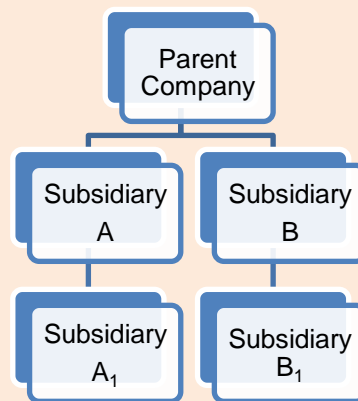
**(C) Shareholding Structure**

- i. Companies that are **public-listed in the secondary bourses** such as the ACE market, Malaysia Online Trading Platform for Unlisted Market (MyULM) or in secondary markets / SME exchanges / unlisted markets in other countries and their **subsidiaries** will be **considered as SMEs**.
- ii. **Public-listed companies in the main board** such as Bursa Malaysia or main bourses in other countries and their **subsidiaries** will **not** be considered as **SMEs**.
- iii. **Subsidiaries of large firms, multinational corporations (MNCs), Government-linked companies (GLCs), *Syarikat Menteri Kewangan Diperbadankan* (MKD) and State-owned enterprises** will **not** be considered as **SMEs**.
- iv. **Subsidiaries of other entities** can be deemed as SMEs if **both the parent entities** and **subsidiaries fulfil the SME definition**.

Subsidiaries refer to entities where the **parent company has controlling power** over the entities either via:

- The **composition** of its **board of directors**; or
- **Has more than 50%** of its **voting power/ share capital** (excluding preference shares); or
- **Indirectly**, through another entity which is a subsidiary that is owned by the parent company (two level subsidiary). For this, again the conditions in **(C)** will apply (refer to Illustration 1.1).

**Illustration 1.1**



### III. Foreign-owned Businesses

For statistical purposes, all business establishments including foreign businesses that fulfil the SME definition **will be classified as SMEs**. However, it is **recommended** that a **minimum local equity of more than 50%** be imposed depending on the objectives of the programmes, in order to qualify for Government assistance.

### IV. Classification of Sectors

- **'Manufacturing'** refers to physical or chemical transformation of materials or components into new products.
- **'Services'** refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering etc.

- **‘Others’** refer to the remaining 3 key economic activities, namely:
  - (i) **Primary Agriculture**
    - Perennial crops (e.g. rubber, oil palm, cocoa, pepper etc.) and cash crops (e.g. vegetables, fruits etc.)
    - Livestock
    - Forestry & logging
    - Marine fishing
    - Aquaculture
  - (ii) **Construction**
    - Infrastructure
    - Residential & non-residential
    - Special trade
  - (iii) **Mining & quarrying**
- Classification of economic activities for purposes of definition will be based on the Malaysian Standard Industrial Classification (MSIC) 2008 codes as per **Annex 1**. This is to ensure comparability of data from various sources and to facilitate data harmonisation across the various providers of SME statistics. However, the list of activities is **not exhaustive** and may be subject to amendments from time to time.

## V. Applicability of Definition

- i. The new SME definition is applied to **all relevant stakeholders** implementing SME development initiatives. These include Ministries and agencies<sup>2</sup> at the Federal and State levels (including statutory bodies and local authorities), regulators as well as financial institutions.
- ii. This is for **identification of eligibility status** for SME development programmes, formulation of SME policies as well as compilation of SME statistics. However, in addition to these criteria, additional eligibility criteria may be imposed by the implementing institutions depending on the scope and objectives of the SME development programmes.
- iii. For purposes of data collection, at all times, the relevant Ministries, Government Agencies and financial institutions should maintain **data on companies and businesses based on both criteria** i.e. sales turnover and number of full-time employees. If for any particular reason the stakeholders are unable to compile or maintain both these data, then they should notify the Secretariat.
- iv. All stakeholders involved in SME development programmes are required to **harmonise their data collection** procedures based on the size and sectoral

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<sup>2</sup> Currently, the definition of small scale companies for incentives under Malaysian Investment Development Authority (MIDA) and corporate tax treatment under the Inland Revenue Board (IRB) is based on their respective legislations.

classifications mentioned. This will enable comparability of data across institutions and provide valuable statistics to better understand the status, issues and development needs of SMEs across all sectors.

## **VI. Effective Date**

The new SME definition came into effect as of **1 January 2014**. This means that eligibility for SME development programmes and SME statistics compiled from 2014 onwards shall follow this new definition. All statistics compiled prior to 2014 will remain status quo and will not be affected by the new definition.

## **VII. Frequently Asked Questions (FAQ)**

Please refer to **Annex 2**.

## **VIII. Registration of SME Status**

SME Registration Status System has been established by SME Corp. Malaysia to validate SME status. Verifying the status of an SME will facilitate the business from repeatedly submitting the same document or information to the relevant party to verify the status of the business. Further details on the registration can be referred at <https://smereg.smecorp.gov.my> or at SME Corp. Malaysia official website.

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**ECONOMIC ACTIVITIES UNDER BROAD SECTORS  
(BASED ON MSIC 2008 DIVISIONS AND DESCRIPTIONS)**

<p><b>Primary Agriculture</b></p> <p><b>A. AGRICULTURE, FORESTRY AND FISHING</b></p> <p><b>01 Crops and animal production, hunting and related service activities</b></p> <p>011 Growing of non-perennial crops 012 Growing of perennial crops 013 Plant propagation 014 Animal production 015 Mixed farming 016 Support activities to agriculture and post-harvest crops activities 017 Hunting, trapping and related service activities</p> <p><b>02 Forestry and logging</b></p> <p>021 Silviculture and other forestry activities 022 Logging 023 Gathering of non-wood forest products 024 Support services to forestry</p> <p><b>03 Fishing and aquaculture</b></p> <p>031 Fishing 032 Aquaculture</p> <p><b>Mining &amp; Quarrying</b></p> <p><b>B. MINING AND QUARRYING</b></p> <p><b>05 Mining of coal and lignite</b></p> <p>051 Mining of hard coal 052 Mining of lignite</p> <p><b>06 Extraction of crude petroleum and natural gas</b></p> <p>061 Extraction of crude petroleum 062 Extraction of natural gas</p> <p><b>07 Mining of metal ores</b></p> <p>071 Mining of iron ores 072 Mining of non-ferrous metal ores</p> <p><b>08 Other mining and quarrying</b></p> <p>081 Quarrying of stone, sand and clay 089 Mining and quarrying n.e.c.</p> <p><b>09 Mining support service activities</b></p> <p>091 Support activities for petroleum and natural gas extraction 099 Support activities for other mining and quarrying</p> <p><b>Manufacturing</b></p> <p><b>C. MANUFACTURING</b></p> <p><b>10 Manufacture of food products</b></p> <p>101 Processing and preserving of meat 102 Processing and preserving of fish, crustaceans and molluscs 103 Processing and preserving of fruit and vegetables 104 Manufacture of vegetable and animal oils and fats 105 Manufacture of dairy products 106 Manufacture of grain mill products, starches and starch products 107 Manufacture of other food products 108 Manufacture of prepared animal feeds</p> <p><b>11 Manufacture of beverages</b></p> <p>110 Manufacture of beverages</p> <p><b>12 Manufacture of tobacco products</b></p>	<p>120 Manufacture of tobacco products</p> <p><b>13 Manufacture of textiles</b></p> <p>131 Spinning, weaving and finishing of textiles 139 Manufacture of other textiles</p> <p><b>14 Manufacture of wearing apparel</b></p> <p>141 Manufacture of wearing apparel, except fur apparel 142 Manufacture of articles of fur 143 Manufacture of knitted and crocheted apparel</p> <p><b>15 Manufacture of leather and related products</b></p> <p>151 Tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur 152 Manufacture of footwear</p> <p><b>16 Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials</b></p> <p>161 Sawmilling and planing of wood 162 Manufacture of products of wood, cork, straw and plaiting materials</p> <p><b>17 Manufacture of paper and paper products</b></p> <p>170 Manufacture of paper and paper products</p> <p><b>18 Printing and reproduction of recorded media</b></p> <p>181 Printing and service activities related to printing 182 Reproduction of recorded media</p> <p><b>19 Manufacture of coke and refined petroleum products</b></p> <p>191 Manufacture of coke oven products 192 Manufacture of refined petroleum products</p> <p><b>20 Manufacture of chemicals and chemical products</b></p> <p>201 Manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms 202 Manufacture of other chemical products 203 Manufacture of man-made fibres</p> <p><b>21 Manufacture of basic pharmaceutical products and pharmaceutical preparations</b></p> <p>210 Manufacture of pharmaceuticals, medicinal chemical and botanical products</p> <p><b>22 Manufacture of rubber and plastics products</b></p> <p>221 Manufacture of rubber products 222 Manufacture of plastics products</p> <p><b>23 Manufacture of other non-metallic mineral products</b></p> <p>231 Manufacture of glass and glass products 239 Manufacture of non-metallic mineral products n.e.c.</p> <p><b>24 Manufacture of basic metals</b></p> <p>241 Manufacture of basic iron and steel 242 Manufacture of basic precious and other non-ferrous metals 243 Casting of metals</p> <p><b>25 Manufacture of fabricated metal products, except machinery and equipment</b></p> <p>251 Manufacture of structural metal products, tanks, reservoirs and steam generators 252 Manufacture of weapons and ammunition 259 Manufacture of other fabricated metal products; metalworking service activities</p>
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**26 Manufacture of computer, electronic and optical products**

261 Manufacture of electronic components and boards  
262 Manufacture of computers and peripheral equipment  
263 Manufacture of communication equipment  
264 Manufacture of consumer electronics  
265 Manufacture of measuring, testing, navigating and control equipment; watches and clocks  
266 Manufacture of irradiation, electromedical and electrotherapeutic equipment  
267 Manufacture of optical instruments and photographic equipment  
268 Manufacture of magnetic and optical media

**27 Manufacture of electrical equipment**

271 Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus  
272 Manufacture of batteries and accumulators  
273 Manufacture of wiring and wiring devices  
274 Manufacture of electric lighting equipment  
275 Manufacture of domestic appliances  
279 Manufacture of other electrical equipment

**28 Manufacture of machinery and equipment n.e.c.**

281 Manufacture of general-purpose machinery  
282 Manufacture of special-purpose machinery

**29 Manufacture of motor vehicles, trailers and semitrailers**

291 Manufacture of motor vehicles  
292 Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers  
293 Manufacture of parts and accessories for motor vehicles

**30 Manufacture of other transport equipment**

301 Building of ships and boats  
302 Manufacture of railway locomotives and rolling stock  
303 Manufacture of air and spacecraft and related machinery  
304 Manufacture of military fighting vehicles  
309 Manufacture of transport equipment n.e.c.

**31 Manufacture of furniture**

310 Manufacture of furniture

**32 Other manufacturing**

321 Manufacture of jewellery, bijouterie and related articles  
322 Manufacture of musical instruments  
323 Manufacture of sports goods  
324 Manufacture of games and toys  
325 Manufacture of medical and dental instruments and supplies  
329 Other manufacturing n.e.c.

**33 Repair and installation of machinery and equipment**

331 Repair of fabricated metal products, machinery and equipment  
332 Installation of industrial machinery and equipment

**Services****D. ELECTRICITY, GAS, STEAM & AIR CONDITIONING SUPPLY****35 Electricity, gas, steam and air conditioning supply**

351 Electric power generation, transmission and distribution  
352 Manufacture of gas; distribution of gaseous fuels through mains  
353 Steam and air conditioning supply

**E. WATER SUPPLY;SEWERAGE, WASTE MANAGEMENT & REMEDIATION ACTIVITIES****36 Water collection, treatment and supply**

360 Water collection, treatment and supply

**37 Sewerage**

370 Sewerage

**38 Waste collection, treatment and disposal activities; materials recovery**

381 Waste collection  
382 Waste treatment and disposal  
383 Materials recovery

**39 Remediation activities and other waste management services**

390 Remediation activities and other waste management services

**F. CONSTRUCTION****41 Construction of buildings**

410 Construction of buildings

**42 Civil engineering**

421 Construction of roads and railways  
422 Construction of utility projects  
429 Construction of other civil engineering projects

**43 Specialized construction activities**

431 Demolition and site preparation  
432 Electrical, plumbing and other construction installation activities  
433 Building completion and finishing  
439 Other specialized construction activities

**Services****G. WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES****45 Wholesale and retail trade and repair of motor vehicles and motorcycles**

451 Sale of motor vehicles  
452 Maintenance and repair of motor vehicles  
453 Sale of motor vehicle parts and accessories  
454 Sale, maintenance and repair of motorcycles and related parts and accessories

**46 Wholesale trade, except of motor vehicles and motorcycles**

461 Wholesale on a fee or contract basis  
462 Wholesale of agricultural raw materials and live animals  
463 Wholesale of food, beverages and tobacco  
464 Wholesale of household goods  
465 Wholesale of machinery, equipment and supplies  
466 Other specialized wholesale  
469 Non-specialized wholesale trade

**47 Retail trade, except of motor vehicles and motorcycles**

471 Retail sale in non-specialized stores  
472 Retail sale of food, beverages and tobacco in specialized stores  
473 Retail sale of automotive fuel in specialized stores  
474 Retail sale of information and communications equipment in specialized stores  
475 Retail sale of other household equipment in specialized stores  
476 Retail sale of cultural and recreation goods in specialized stores  
477 Retail sale of other goods in specialized stores  
478 Retail sale via stalls and markets  
479 Retail trade not in stores, stalls or markets

**H. TRANSPORTATION & STORAGE****49 Land transport and transport via pipelines**

491 Transport via railways  
492 Other land transport  
493 Transport via pipeline

**50 Water transport**

501 Sea and coastal water transport  
502 Inland water transport

**51 Air transport**

511 Passenger air transport  
512 Freight air transport

**52 Warehousing and support activities for transportation**

521 Warehousing and storage  
522 Support activities for transportation

**53 Postal and courier activities**

531 Postal activities  
532 Courier activities

**I. ACCOMMODATION & FOOD SERVICE ACTIVITIES****55 Accommodation**

551 Short term accommodation activities  
552 Camping grounds, recreational vehicle parks and trailer parks  
559 Other accommodation

**56 Food and beverage service activities**

561 Restaurants and mobile food service activities  
562 Event catering and other food service activities  
563 Beverage serving activities

**J. INFORMATION AND COMMUNICATION****58 Publishing activities**

581 Publishing of books, periodicals and other publishing activities  
582 Software publishing

**59 Motion picture, video and television programme production, sound recording and music publishing activities**

591 Motion picture, video and television programme activities  
592 Sound recording and music publishing activities

**60 Programming and broadcasting activities**

601 Radio broadcasting  
602 Television programming and broadcasting activities

**61 Telecommunications**

611 Wired telecommunications activities  
612 Wireless telecommunications activities  
613 Satellite telecommunications activities  
619 Other telecommunications activities

**62 Computer programming, consultancy and related activities**

620 Computer programming, consultancy and related activities

**63 Information service activities**

631 Data processing, hosting and related activities; web portals  
639 Other information service activities

**K. FINANCIAL AND INSURANCE/TAKAFUL ACTIVITIES****64 Financial service activities, except insurance/takaful and pension funding**

641 Monetary intermediation  
642 Activities of holding companies  
643 Trusts, funds and similar financial entities  
649 Other financial service activities, except insurance/takaful and pension funding activities

**65 Insurance/takaful, reinsurance/retakaful and pension funding, except compulsory social security**

651 Insurance/takaful  
652 Reinsurance/retakaful  
653 Pension funding

**66 Activities auxiliary to financial service and insurance/takaful activities**

661 Activities auxiliary to financial service activities, except insurance/takaful and pension funding  
662 Activities auxiliary to insurance/takaful and pension funding  
663 Fund management activities

**L. REAL ESTATE ACTIVITIES****68 Real estate activities**

681 Real estate activities with own or leased property  
682 Real estate activities on a fee or contract basis

**M. PROFESSIONAL, SCIENTIFIC & TECHNICAL ACTIVITIES****69 Legal and accounting activities**

691 Legal activities  
692 Accounting, bookkeeping and auditing activities; tax consultancy

**70 Activities of head offices; management consultancy activities**

701 Activities of head offices  
702 Management consultancy activities

**71 Architectural and engineering activities; technical testing and analysis**

711 Architectural and engineering activities and related technical consultancy  
712 Technical testing and analysis

**72 Scientific research and development**

721 Research and experimental development on natural sciences and engineering  
722 Research and experimental development on social sciences and humanities

**73 Advertising and market research**

731 Advertising  
732 Market research and public opinion polling

**74 Other professional, scientific and technical activities**

741 Specialized design activities  
742 Photographic activities  
749 Other professional, scientific and technical activities n.e.c.

**75 Veterinary activities**

750 Veterinary activities

**N. ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES****77 Rental and leasing activities**

771 Renting and leasing of motor vehicles  
772 Renting and leasing of personal and household goods  
773 Renting and leasing of other machinery, equipment and tangible goods  
774 Leasing of intellectual property and similar products, except copyrighted works

**78 Employment activities**

781 Activities of employment placement agencies  
782 Temporary employment agency activities  
783 Other human resources provision

**79 Travel agency, tour operator, reservation service and related activities**

791 Travel agency and tour operator activities  
799 Other reservation service and related activities

**80 Security and investigation activities**

801 Private security activities  
802 Security systems service activities  
803 Investigation activities

**81 Services to buildings and landscape activities**

811 Combined facilities support activities  
812 Cleaning activities  
813 Landscape care and maintenance service activities

**82 Office administrative, office support and other business support activities**

821 Office administrative and support activities  
822 Activities of call centres  
823 Organization of conventions and trade shows  
829 Business support service activities n.e.c.

**O. PUBLIC ADMINISTRATION AND DEFENCE;  
COMPULSORY SOCIAL SECURITY**

**84 Public administration and defence; compulsory social security**

841 Administration of the State and the economic and social policy of the community  
842 Provision of services to the community as a whole  
843 Compulsory social security activities

**P. EDUCATION**

**85 Education**

851 Pre-primary and primary education  
852 Secondary education  
853 Higher education  
854 Other education  
855 Educational support activities

**Q. HUMAN HEALTH AND SOCIAL WORK ACTIVITIES**

**86 Human health activities**

861 Hospital activities  
862 Medical and dental practice activities  
869 Other human health activities

**87 Residential care activities**

871 Residential nursing care facilities  
872 Residential care activities for mental retardation, mental health and substance abuse  
873 Residential care activities for the elderly and disabled  
879 Other residential care activities

**88 Social work activities without accommodation**

881 Social work activities without accommodation for the elderly and disabled  
889 Other social work activities without accommodation n.e.c.

**R. ARTS, ENTERTAINMENT AND RECREATION**

**90 Creative, arts and entertainment activities**

900 Creative, arts and entertainment activities

**91 Libraries, archives, museums and other cultural activities**

910 Libraries, archives, museums and other cultural activities

**92 Gambling and betting activities**

920 Gambling and betting activities

**93 Sports activities and amusement and recreation activities**

931 Sports activities  
932 Other amusement and recreation activities

**S. OTHER SERVICE ACTIVITIES**

**94 Activities of membership organizations**

941 Activities of business, employers and professional membership organizations  
942 Activities of trade unions  
949 Activities of other membership organizations

**95 Repair of computers and personal and household goods**

951 Repair of computers and communication equipment  
952 Repair of personal and household goods

**96 Other personal service activities**

960 Other personal service activities

**T. ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS;  
UNDIFFERENTIATED GOODS- AND SERVICES  
PRODUCING ACTIVITIES OF HOUSEHOLDS FOR  
OWN USE**

**97 Activities of households as employers of domestic personnel**

970 Activities of households as employers of domestic personnel

**98 Undifferentiated goods- and services-producing activities of private households for own use**

981 Undifferentiated goods-producing activities of private households for own use  
982 Undifferentiated service-producing activities of private households for own use

**U. ACTIVITIES OF EXTRATERRITORIAL  
ORGANIZATIONS AND BODIES**

**99 Activities of extraterritorial organizations and bodies**

990 Activities of extraterritorial organizations and bodies

**FREQUENTLY ASKED QUESTIONS (FAQ)**

- 1. What is the definition of sales turnover?**  
Sales turnover refers to **total revenue** including other incomes.
- 2. What is the definition of full-time employees?**  
Full-time employees include all paid workers working for **at least 6 hours a day and 20 days a month**; or at least **120 hours a month**.
- 3. What if a business can fulfill only the sales turnover but not the employment criteria?**  
A business will only need to satisfy **one of the two criteria** used in the definition in order to be classified as SMEs. The use of 'OR' basis in the definition provides greater flexibility for businesses to comply with the definition and thus be classified as SMEs.
- 4. What happens if a business goes above or fall below a particular threshold?**  
If a business exceeds the threshold set under both criteria for **2 consecutive years** (based on financial year/ accounting period) then it can no longer be deemed as SMEs. Similarly, a business that is previously large can become an SME if it fulfills the qualifying criteria of SMEs for **2 consecutive years**.
- 5. If a business can fulfill one criteria i.e sales turnover under micro enterprise and another criteria i.e employment under small, which category does the business belongs to?**  
In this case, the **smaller size will prevail** i.e. the business will be deemed as a micro enterprise.
- 6. What if a firm has separate entity to undertake sales & marketing, R&D, distribution etc. Does each of this entity be considered as a separate SME or do they come under one SME?**  
This depends on how the firm and entities are registered under the Companies Commission of Malaysia (SSM). If they are registered as separate entities, then each of these are treated as different SMEs, even if there are related companies. However, if they are registered as one entity, then it is only one SME.
- 7. Can a public-listed company be classified as SME?**  
It depends. If the firm is listed not in the main bourse of the local market or outside the country (ACE market, unlisted market or SME exchange) but meets the criteria of an SME, it is still deemed as an SME. However, if the firm meets the SME criteria but is listed in the main board in Malaysia or in a country outside Malaysia, then it is not an SME.
- 8. Can a subsidiary of a holding company listed on ACE Market / LEAP Market be classified as SME?**  
Yes, since ACE Market/LEAP Market is not a main market, the subsidiary of the holding company will qualify as long as the holding company meets the sales and employees threshold of the definition.

9. **If there is another level of Ultimate Holding Company listed under Main Board and an immediate holding company under ACE Market, can the subsidiary be classified as SME?**

Public-listed companies in the main board such as Bursa Malaysia or main bourses in other countries and their subsidiaries will not be considered as SMEs. **Subsidiary includes indirect entity** that is owned by a parent company (**two level subsidiary**).

10. **How does the definition apply to an associate company of a holding company listed under Main Board?**

As long as the holding company **does not own majority shares (more than 50%)** of the associate company, then it can be classified as SME. If not, it will be deemed as a subsidiary thus the subsidiary rules shall apply.

11. **Can a subsidiary of a holding company with a majority share (more than 50%) held by a foreign individual be classified as SME?**

Foreign ownership **does not indicate the size** of a business. Therefore, if the holding company is not a large company/MNC/GLC or listed on main market and the subsidiary meets the sales and employees threshold of the definition, then it is a SME. Foreign equity usually is taken into account for Government funded programmes.

12. **If the parent company which qualified under SME classification owned a subsidiary which is a non-SME or exceeded the SME definition threshold, do we still consider the parent company as SME?**

The setting of the thresholds for sales turnover and employees are based on a separate entity, not on a group basis. Therefore in this scenario, and if the accounting treatment for the parent and subsidiaries are detached, the parent company can be considered as an SME.

13. **Can revenue generating organisations such as youth associations, trade unions, consumer associations etc. be defined as SMEs?**

These will not be defined as SMEs as they are not considered as pure business entities. These entities are established for socio-economic reasons and come under a different legislation (not under SSM).

14. **How can a company / business obtain a verification of its SME Status?**

Companies / businesses can browse the SME Corp. Malaysia website at [www.smecorp.gov.my](http://www.smecorp.gov.my) or at link <https://smereg.smecorp.gov.my>.